

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
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FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 2748

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UNCLAS WELLINGTON 0649

E.O. 11652: N/A

TAGS: EALR, EGEN, EFIN, ETRD, NZ

SUBJECT: PRIME MINISTER COMMENTS ON THE ECONOMIC SITUATION

1. ACCORDING TO A RELEASE ON FEBRUARY 17 ON
THE PUBLIC ACCOUNTS, NET GOVERNMENT EXPENDITURE IN THE
FIRST NINE MONTHS OF THE FISCAL YEAR ENDING MARCH 1977
DECREASED 3.9 PER CENT BELOW THE SAME PERIOD ONE YEAR
EARLIER TO \$3,346.3 MILLION.

2. IN CONTRAST, THE GROWTH IN EXPENDITURES OF THE APRIL-
DECEMBER 1975 PERIOD OVER THE CORRESPONDING PERIOD OF
1974 WAS 37.7 PER CENT. THIS INCREASE TOOK PLACE
UNDER THE LAST NINE MONTHS OF THE LABOUR GOVERNMENT.

3. TOTAL RECEIPTS FOR THE APRIL-DECEMBER 1976 PERIOD
ROSE TO \$2,513.2 MILLION (VS \$2,096.2 MILLION FOR THE
LAST NINE MONTHS OF 1975).

4. THE DEFICIT FOR THE APRIL-DECEMBER 1976
PERIOD WAS \$833.1 MILLION, VS \$1,263.1 MILLION FOR THE
YEAR EARLIER PERIOD.

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5. THIS DROP IN THE DEFICIT WAS UNDOUBTEDLY VERY
GOOD NEWS TO PRIME MINISTER MULDOON, FOLLOWING AS IT
DOES A FEW WEEKS AFTER THE DISAPPOINTING FIGURES ON
THE CPI INCREASE IN THE LAST QUARTER OF 1976 (UP 2.8
PER CENT VS 2 TO 2.5 PER CENT EARLIER PREDICTED BY
MULDOON).

6. IN COMMENTING ON THIS BID DROP IN GOVERNMENT SPENDING, THE PRIME MINISTER CHARACTERIZED THE REDUCTION IN THE DEFICIT AS "A MAJOR BLOW" TO INFLATIONARY PRESSURES.

7. MR MULDOON SAID THAT THE FY-78 BUDGET WOULD PROBABLY BE PRESENTED TO PARILAMENT IN JULY AFTER HE SAW HOW THE ECONOMY WAS GOING. (PARLIAMENT WILL BEGIN ABOUT MID-MAY.)

8. THE PRIME MINISTER ALSO SAID HE WAS "REASONABLY HAPPY" WITH THE 1976 BALANCE OF PAYMENTS FIGURES. HE THOUGHT THE BASIC PRIVATE IMPORTS AND FORWARD PROJECTIONS WERE "NOT TOO BAD" BUT HE WAS FAR FROM SATISFIED. HE SAID THAT NEXT YEAR'S BALANCE OF PAYMENTS DEFICIT SHOULD BE LESS, OR HE WOULD BE "DISTURBED".

9. PROBABLY MORE NOTEWORTHY WAS A CLEAR INDICATION OF THE DIRECTION OF FUTURE ECONOMIC POLICY WAS HIS STATEMENT THAT THE GOVERNMENT DID NOT PLAN TO APPLY IMPORT LICENSING OR IMPORT CONTROLS.

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